

SECTOR UPDATE

REITs – Singapore

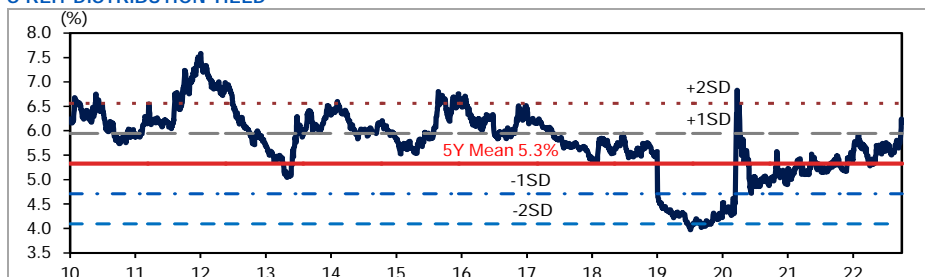
S-REITs Bi-Weekly Updates (16-30 Sep 22)

A disciplined and hawkish Fed and the UK's fiscal policy mishap sent S-REITs reeling by 7.8%. We see sanity gradually being restored as nerves are calmed. S-REITs are resilient due to their stable cash flows. The panic selling has brought valuations to attractive levels and bargains have emerged. Our bottom-up and diversified BUY picks are CAT (Target: S\$1.29), FCT (Target: S\$2.56), LREIT (Target: S\$0.91), MINT (Target: S\$3.12) and MLT (Target: S\$1.94). Maintain OVERWEIGHT.

WHAT HAPPENED IN THE LAST TWO WEEKS

- F1 night race returning after hiatus of two year.** Singapore welcomed an influx of international visitors here to catch the F1 Singapore Grand Prix over the weekend. Hotels located near the Marina Bay street circuit, such as Marina Bay Sands, Parkroyal Collection Marina Bay, Mandarin Oriental and The Fullerton Hotel, are operating at close to full capacity. Room rates were typically above S\$2,000 per night. The long absence of two years created pent-up demand. According to event organiser Singapore GP, grand stand and combination tickets were sold out within six hours of their release.
- Ferocious rate hikes almost reaching a climax.** The Fed maintained its disciplined and hawkish stance and hiked the Fed Funds Rate by a third consecutive 75bp to 3.00% after the FOMC meeting on 21 Sep 22. Based on the Fed's dot plot, the median projected path for Fed Funds Rate would hit 4.4% by end-22 and 4.6% by end-23. The projection is expected to lead to continued steep rate hikes of 75bp on 2 Nov 22 and 50bp on 14 Dec 22, bringing the Fed Funds Rate to 4.25 by end-22. The rate hikes are front-loaded in 2022 and the intensity of rate hikes is expected to be modest in 2023.
- FSTREI corrected 7.8% in the past two weeks** and underperformed the STI that lost 4.2%. Markets were spooked by elevated inflation with US CPI at 8.3% for Aug 22 and the UK's fiscal policy mishap. Yield for 10-year Singapore government bonds rose 32bp to 3.48%, surpassing the recent peak of 3.24% set in mid-June.
- Top outperformer:** Retail REITs SPHREIT, FCT and LREIT suffered milder corrections of 4.3%, 4.8% and 5.0% respectively. Chinese REITs CLCT and SASSR saw mild declines of 3.7% and 6.0% respectively.
- Top underperformer:** European REITs bore the brunt of selling with ELITE and CERT losing 16.1% and 11.4% respectively. US REITs KORE (-15.4%), MUST (-15.0%), UHU (-13.0%), PRIME (-11.5%) and DCREIT (-10.3%) also saw heavy losses.

S-REIT DISTRIBUTION YIELD



Source: UOB Kay Hian

TOP-20 S-REITS RANKED BY MARKET CAPITALISATION – VITAL STATISTICS

TOP 20 REITS RANKED BY MARKET CAPITALIZATION (WALE) PRICE															
Name	Ticker	Rec	Currency	Price 30 Sep 22	Target Price	Mkt Cap (US\$m)	-- DPU (¢) -- Curr Fwd	-- Yield (%) -- Curr Fwd	-- Yield Spread* (%) -- Curr Fwd	Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)			
CapLand Int Comm Trust	CICIT SP	HOLD	S\$	1.92	2.17	8,896	11.3	11.7	5.9	6.1	2.4	2.6	4.1	40.6	3.8
CapLand Ascendas	CAREIT SP	BUY	S\$	2.69	3.21	7,895	15.9	15.6	5.9	5.8	2.4	2.3	6.1	36.7	3.8
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.72	2.07	6,288	10.6	10.8	6.2	6.3	2.7	2.8	4.9	33.8	2.8
Mapletree Log	MLT SP	BUY	S\$	1.56	1.94	5,234	9.1	9.1	5.8	5.8	2.3	2.3	4.8	37.2	3.4
Mapletree Ind	MINT SP	BUY	S\$	2.38	3.12	4,496	13.3	13.4	5.6	5.6	2.1	2.1	6.0	38.4	4.1
Fraser's L&C Trust	FLT SP	BUY	S\$	1.23	1.51	3,176	7.1	7.8	5.8	6.3	2.3	2.8	12.4	29.2	4.6
Suntec REIT	SUN SP	HOLD	S\$	1.53	1.57	3,071	9.7	8.8	6.3	5.7	2.8	2.2	2.7	43.1	2.6
Keppel REIT	KREIT SP	BUY	S\$	0.99	1.33	2,581	5.9	5.6	6.0	5.7	2.5	2.2	3.8	37.9	6.0
Fraser's CT	FCT SP	BUY	S\$	2.17	2.56	2,580	12.8	12.9	5.9	5.9	2.4	2.4	5.2	33.9	1.9
CapLand Ascott	CAT SP	BUY	S\$	0.98	1.29	2,356	5.4	6.3	5.5	6.5	2.0	3.0	3.9	37.5	n.a.
Keppel DC REIT	KDCREIT SP	NR	S\$	1.70	n.a.	2,041	10.0	10.5	5.9	6.2	2.4	2.7	9.2	35.3	7.6
PLife REIT	PREIT SP	HOLD	S\$	4.24	4.65	1,792	14.7	15.1	3.5	3.5	0.0	0.1	19.8	32.5	11.5
SPH REIT	SPHREIT SP	NR	S\$	0.90	n.a.	1,766	5.4	5.6	6.0	6.2	2.5	2.7	7.7	30.1	2.9
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.355	n.a.	1,661	3.0	3.0	8.5	8.5	5.0	5.0	3.1	40.6	3.0
QUE Comm REIT	QUECT SP	NR	S\$	0.34	n.a.	1,297	2.2	2.3	6.5	6.8	3.0	3.3	3.0	39.1	2.6
Lendlease REIT	LREIT SP	BUY	S\$	0.76	0.91	1,282	4.9	4.9	6.4	6.5	2.9	3.0	9.2	40.0	5.5
CapLand China Trust	CLCT SP	NR	S\$	1.04	n.a.	1,216	8.7	9.5	8.4	9.1	4.9	5.6	4.7	38.6	2.1
CDL HTrust	CDREIT SP	BUY	S\$	1.17	1.41	1,010	5.9	7.2	5.0	6.2	1.5	2.7	3.5	39.5	n.a.
Cromwell REIT EUR	CERT SP	NR	€	1.79	n.a.	989	17.0	17.5	9.5	9.8	7.4	7.7	6.7	38.6	4.6
Starhill Global	SGREIT SP	NR	S\$	0.54	n.a.	847	4.1	4.2	7.6	7.8	4.1	4.3	3.4	36.2	4.7

* Yield spread above 10-year government bond yield

Source: Bloomberg, UOB Kay Hian

OVERWEIGHT

(Maintained)

SEGMENTAL RATING

S-REITs	OVERWEIGHT
Healthcare REITs	MARKET WEIGHT
Hospitality REITs	OVERWEIGHT
Industrial REITs	OVERWEIGHT
Office REITs	OVERWEIGHT
Retail REITs	OVERWEIGHT

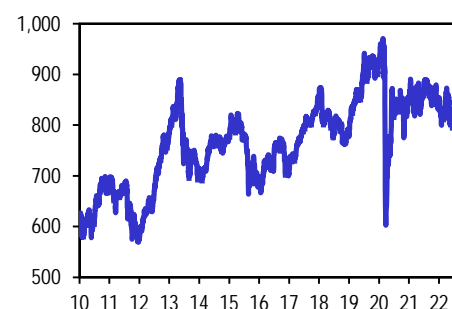
Source: UOB Kay Hian

TOP S-REIT PICKS

Company	Rec	Share Price (\$)	Target Price (\$)
CAT	BUY	0.98	1.29
FCT	BUY	2.17	2.56
LREIT	BUY	0.76	0.91
MINT	BUY	2.38	3.12
MLT	BUY	1.56	1.94

Source: UOB Kay Hian

FTSE ST ALL-SHARE REITS INDEX (FSTREI)



Source: UOB Kay Hian

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PEER COMPARISON

Name	Ticker	Rec	Curr	Price 30 Sep 22	Target Price	Mkt Cap (US\$m)	Hist	Curr	Yield (%) Fwd 1Y	Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
HEALTHCARE													
First REIT	FIRT SP	NR	S\$	0.265	n.a.	380	9.8	n.a.	n.a.	n.a.	66.6	35.6	0.78
PLife REIT	PREIT SP	HOLD	S\$	4.24	4.65	1,792	3.3	3.5	3.5	3.6	50.4	32.5	1.76
HOSPITALITY													
CapLand Ascott	CAT SP	BUY	S\$	0.98	1.29	2,356	4.4	5.5	6.5	6.8	71.7	37.5	0.85
CDL HTrust	CDREIT SP	BUY	S\$	1.17	1.41	1,010	3.6	5.0	6.2	6.2	68.5	39.5	0.89
Far East HTrust	FEHT SP	BUY	S\$	0.585	0.77	812	4.5	5.4	6.9	7.2	43.6	33.3	0.69
Frasers HTrust	FHT SP	NR	S\$	0.48	n.a.	646	2.0	4.0	4.2	6.9	78.7	39.3	0.73
INDUSTRIAL													
AIMS APAC REIT	AAREIT SP	NR	S\$	1.28	n.a.	641	7.4	7.7	7.7	7.8	60.5	37.0	0.92
CapLand Ascendas	CAREIT SP	BUY	S\$	2.69	3.21	7,895	5.7	5.9	5.8	5.8	63.7	36.7	1.13
DigiCore REIT USD	DCREIT SP	BUY	US\$	0.70	0.90	791	n.a.	5.5	5.6	5.7	35.4	25.7	0.80
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.36	n.a.	1,661	8.4	8.5	8.5	8.7	82.3	40.6	0.97
Keppel DC REIT	KDCREIT SP	NR	S\$	1.70	n.a.	2,041	5.8	5.9	6.2	6.4	57.6	35.3	1.24
Mapletree Ind Trust	MINT SP	BUY	S\$	2.38	3.12	4,496	5.8	5.6	5.6	5.8	58.2	38.4	1.27
Mapletree Log Trust	MLT SP	BUY	S\$	1.56	1.94	5,234	5.6	5.8	5.8	5.8	71.4	37.2	1.06
OFFICE													
Keppel REIT	KREIT SP	BUY	S\$	0.99	1.33	2,581	5.9	6.0	5.7	6.3	68.9	37.9	0.73
RETAIL													
Frasers CT	FCT SP	BUY	S\$	2.17	2.56	2,580	5.6	5.9	5.9	5.7	47.2	33.9	0.94
Lendlease REIT	LREIT SP	BUY	S\$	0.76	0.91	1,282	6.4	6.4	6.5	6.5	83.4	40.0	0.97
Sasseur REIT	SASSR SP	BUY	S\$	0.705	1.12	605	10.1	10.7	10.9	11.3	43.5	26.5	0.74
SPH REIT	SPHREIT SP	NR	S\$	0.90	n.a.	1,766	6.0	6.0	6.2	6.6	50.2	30.2	0.98
Starhill Global	SGREIT SP	NR	S\$	0.54	n.a.	847	7.0	7.6	7.8	8.0	62.1	36.2	0.69
DIVERSIFIED													
CapLand China Trust	CLCT SP	NR	S\$	1.04	n.a.	1,216	8.4	8.4	9.1	9.4	79.3	38.6	0.69
CapLand Int Comm Trust	CICT SP	HOLD	S\$	1.92	2.17	8,896	5.4	5.9	6.1	6.2	68.9	40.6	0.90
Frasers L&C Trust	FLT SP	BUY	S\$	1.23	1.51	3,176	6.2	5.8	6.3	6.4	41.6	29.2	0.93
Mapletree Pan Asia Comm	MPACT SP	BUY	S\$	1.72	2.07	6,288	5.5	6.2	6.3	6.4	52.0	33.8	0.99
OUE Comm REIT	OUECT SP	NR	S\$	0.34	n.a.	1,297	7.6	6.5	6.8	6.8	73.1	39.1	0.59
Suntec REIT	SUN SP	HOLD	S\$	1.53	1.57	3,071	5.7	6.3	5.7	5.8	79.8	43.1	0.72
OFFSHORE													
Cromwell REIT EUR	CERT SP	NR	€	1.79	n.a.	989	9.5	9.5	9.8	9.8	71.9	38.6	0.71
Elite Comm REIT GBP	ELITE SP	BUY	£	0.47	0.79	253	11.6	11.0	10.0	10.6	75.9	41.9	0.76
IREIT Global	IREIT SP	NR	S\$	0.50	n.a.	404	8.2	8.2	8.2	8.4	50.5	30.8	0.62
KepPacOak REIT USD	KORE SP	BUY	US\$	0.55	0.99	574	11.5	11.2	10.8	10.7	65.1	37.2	0.66
Manulife REIT USD	MUST SP	BUY	US\$	0.43	0.74	755	12.5	12.4	12.7	13.2	78.3	42.4	0.60
Prime US REIT USD	PRIME SP	NR	US\$	0.54	n.a.	637	12.6	13.0	13.0	13.1	63.3	37.8	0.63
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.535	0.83	302	11.4	11.6	10.8	10.6	63.6	38.0	0.70

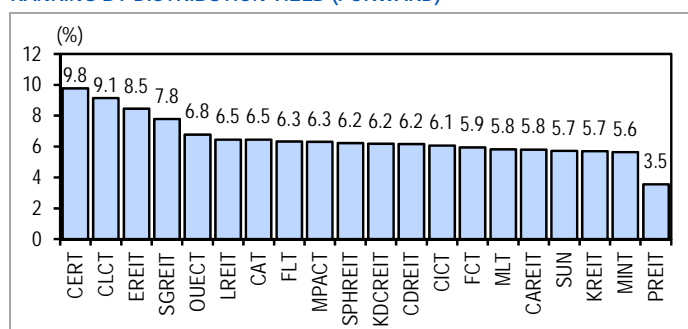
Source: Bloomberg, UOB Kay Hian

TOP-10 OUTPERFORMERS AND TOP-10 UNDERPERFORMERS RANKED BY WEEKLY SHARE PRICE PERFORMANCE

TOP OUTPERFORMERS (%)							TOP UNDERPERFORMERS (%)						
NAME	2WK	1MTH	3MTH	6MTH	1Y	YTD	NAME	2WK	1MTH	3MTH	6MTH	1Y	YTD
CapLand China Trust	-3.7	-5.5	-9.6	-14.0	-16.1	-12.6	Elite Comm REIT GBP	-16.1	-20.3	-24.8	-27.7	-29.9	-29.3
Suntec REIT	-3.8	-3.2	-5.6	-12.6	7.7	1.3	KepPacOak REIT USD	-15.4	-17.3	-21.4	-25.2	-29.9	-31.2
SPH REIT	-4.3	-3.7	-3.7	-7.2	-4.3	-10.0	Manulife REIT USD	-15.0	-11.5	-25.4	-37.0	-39.3	-36.6
IREIT Global	-4.8	-10.7	-18.0	-20.6	-21.9	-23.1	Utd Hampshire REIT USD	-13.0	-14.4	-13.0	-17.7	-20.7	-19.5
Frasers CT	-4.8	-4.0	-5.2	-11.1	-4.4	-6.1	Keppel DC REIT	-12.8	-12.4	-13.7	-25.4	-31.5	-31.2
Lendlease REIT	-5.0	-7.9	-4.4	-1.9	-12.6	-15.1	Prime US REIT USD	-11.5	-13.6	-20.0	-28.5	-36.8	-35.3
CapLand Ascendas	-5.3	-4.6	-5.6	-8.2	-10.3	-8.8	Cromwell REIT EUR	-11.4	-13.1	-8.2	-21.5	-31.4	-29.2
First REIT	-5.4	-3.6	-3.6	-14.5	3.9	-13.1	Frasers HTrust	-11.1	-31.4	-31.4	-10.3	5.5	3.2
AIMS APAC REIT	-5.9	-6.6	-5.2	-7.9	-11.1	-11.7	Digi Core REIT USD	-10.3	-7.3	-9.1	-36.9	-20.5	-39.7
Sasseur REIT	-6.0	-9.0	-9.6	-16.6	-17.5	-16.6	Frasers L&C Trust	-10.2	-9.6	-7.5	-15.8	-19.1	-19.1

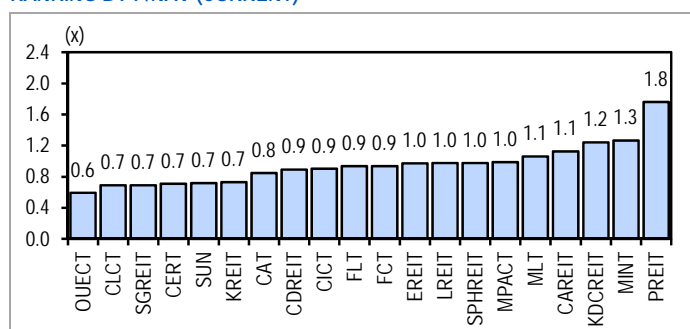
Source: Bloomberg, UOB Kay Hian

RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

RANKING BY P/NAV (CURRENT)



Source: UOB Kay Hian

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